

**REPORT OF THE AUDIT OF THE
LAUREL COUNTY
SHERIFF**

**For The Year Ended
December 31, 2011**



**ADAM H. EDELEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE LAUREL COUNTY SHERIFF

**For The Year Ended
December 31, 2011**

The Auditor of Public Accounts has completed the Laurel County Sheriff's audit for the year ended December 31, 2011. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees decreased by \$65,526 from the prior year, resulting in excess fees of \$14,202 as of December 31, 2011. Revenues increased by \$133,718 from the prior year and expenditures increased by \$199,244.

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

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ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable David Westerfield, Laurel County Judge/Executive
The Honorable John Root, Laurel County Sheriff
Members of the Laurel County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees -regulatory basis of the Sheriff of Laurel County, Kentucky, for the year ended December 31, 2011. This financial statement is the responsibility of the Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the Sheriff for the year ended December 31, 2011, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated August 1, 2012 on our consideration of the Laurel County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable David Westerfield, Laurel County Judge/Executive
The Honorable John Root, Laurel County Sheriff
Members of the Laurel County Fiscal Court

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Laurel County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Adam H. Edelen", with a stylized flourish at the end.

Adam H. Edelen
Auditor of Public Accounts

August 1, 2012

LAUREL COUNTY
JOHN ROOT, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2011

Revenues

Federal Grants:

High Intensity Drug Trafficking Area (HIDTA)	\$ 74,590	
Unlawful Narcotics, Investigation and Treatment Education (UNITE)	52,559	
Highway Safety Grant	4,032	
U.S. Forestry Contract	16,539	
U.S. Army Corps of Engineers	4,606	
Organized Crime Drug Enforcement Task Forces (OCDETF)	174	
U.S. Marshals	936	
	<hr/>	\$ 153,436

State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)	91,480
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State Fees For Services:

Finance and Administration Cabinet	174,819	
Cabinet for Health and Family Services	45	
Sheriff's Security Service	50,515	
	<hr/>	225,379

Circuit Court Clerk:

Fines and Fees Collected	6,989
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Fiscal Court

Sheriff Support	572,877	
Juvenile Transports	19,167	
Court Security Officers	15,739	
Election Commissioner	2,500	
	<hr/>	610,283

County Clerk - Delinquent Taxes	76,796
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Commission On Taxes Collected	661,029	
Telecommunication Commissions	9,613	
	<hr/>	670,642

Fees Collected For Services:

Auto Inspections	25,471	
Accident and Police Reports	5,966	
Serving Papers	118,960	
Carrying Concealed Deadly Weapon Permits	13,300	
	<hr/>	163,697

The accompanying notes are an integral part of this financial statement.

LAUREL COUNTY
 JOHN ROOT, SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

Revenues (Continued)

Other:

Add-on Fees	\$	98,935	
Miscellaneous		<u>28,748</u>	\$ 127,683

Interest Earned 479

Borrowed Money:

State Advancement 374,824

Total Revenues 2,501,688

Expenditures

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$	1,117,554
Part-Time Salaries		79,118
Other Salaries		153,079
Overtime		26,946

Employee Benefits-

Employer's Share Social Security		99,832
Employer's Share Hazardous Duty Retirement		40,401
Employer Paid Health Insurance		231,292

Materials and Supplies-

Office Materials and Supplies		18,382
Uniforms		37

Auto Expense-

Gasoline		165,633
Maintenance and Repairs		20,618

Other Charges-

Conventions and Travel		3,029
Dues		
Postage		19,530
Miscellaneous		<u>46,531</u>
		2,021,982

The accompanying notes are an integral part of this financial statement.

LAUREL COUNTY
JOHN ROOT, SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
For The Year Ended December 31, 2011
(Continued)

Expenditures (Continued)

Operating Expenditures and Capital Outlay: (Continued)

Capital Outlay-		
Vehicles	\$	7,000
Debt Service:		
State Advancement		<u>374,824</u>
Total Expenditures		<u>\$ 2,403,806</u>
Net Revenues		97,882
Less: Statutory Maximum		<u>82,760</u>
Excess Fees		15,122
Less: Training Incentive Benefit		<u>920</u>
Excess Fees Due County for 2011		<u><u>\$ 14,202</u></u>

The accompanying notes are an integral part of this financial statement.

LAUREL COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2011

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2011 services
- Reimbursements for 2011 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2011

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

LAUREL COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2011
(Continued)

Note 2. Employee Retirement System

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.93 percent for the first six months and 18.96 percent for the last six months.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 33.25 percent for the first six months and 35.76 percent for the last six months.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

LAUREL COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2011
(Continued)

Note 2. Employee Retirement System (Continued)

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Laurel County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Laurel County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2011, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

LAUREL COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2011
(Continued)

Note 4. Drug Seizure Account

During 2011, the Sheriff deposited funds totaling \$44,232 of seized monies in the Drug Seizure Account and the account earned interest totaling \$26. The Sheriff disbursed \$16,373 in accordance with court orders, leaving a balance of \$27,885. Since these monies are held by the Sheriff's office pending court adjudication, they are not part of excess fees.

Note 5. Evidence Account

During 2011, the Sheriff deposited funds totaling \$2,756 of seized monies in the Evidence Account and the account earned interest totaling \$2. The Sheriff disbursed \$601 in accordance with court orders, leaving a balance of \$2157. Since these monies are held by the Sheriff's office pending court adjudication, they are not part of excess fees.

Note 6. Court Ordered Forfeitures Account

During 2011, the Sheriff deposited funds totaling \$16,160 in the Court Ordered Forfeitures Account and the account earned interest totaling \$2. The Sheriff properly expended \$9,790 during calendar year 2011, leaving a balance of \$6,372. The use of these monies is determined by court order granting forfeiture funds to the Sheriff's office; therefore, they are not included as a part of excess fees.

Note 7. Federal Seizure Account

During 2011, the Sheriff received \$59,337 from federal agencies for the Laurel County Sheriff's share of assets seized as a result of joint investigations with other local, state, and federal agencies. The account earned interest totaling \$15. The Sheriff expended \$27,298 during the year, leaving a balance of \$32,054. These funds are used to enhance law enforcement activities and not to supplant the Sheriff's normal operating budget; therefore, they are not included as a part of excess fees.

Note 8. Transient Room Tax Account

In September 1979, the Laurel County Fiscal Court passed an ordinance establishing the London-Laurel County Tourist and Convention Commission and levying a 3% transient room tax. In the ordinance, the Laurel Sheriff was designated as the collector of the tax. During 2011, the sheriff collected \$405,386 of transient room tax receipts. In accordance with the ordinance, the Sheriff disbursed \$388,157 to the Laurel County Fiscal Court, who in turn remitted the tax to the London-Laurel County Tourist and Convention Commission. The Sheriff retained \$17,229 as his collection fee and used these fees for the operation of the office.

LAUREL COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2011
(Continued)

Note 9. Lease

The Office of the Sheriff was committed to a lease agreement with Central Business Systems for a postage mailing system with a weighing platform. The agreement requires a monthly payment of \$313 for 48 months to be completed on December 31, 2014. The total remaining balance of the agreement was \$11,260 as of December 31, 2011.

Note 10. Federal Grants

The Laurel County Sheriff's office was awarded a High Intensity Drug Trafficking Area (HIDTA) grant for the period of January 1, 2011 through December 31, 2011. During 2011, grant funds in the amount of \$74,590 were received.

The Laurel County Sheriff's office was awarded an Operation Unlawful, Narcotics, Investigation and Treatment Education (UNITE) grant for the period of January 1, 2011 through December 31, 2011. During 2011, grant funds in the amount of \$52,559 were received.

The Laurel County Sheriff's office was awarded a Highway Safety grant for the period of January 1, 2011 through December 31, 2011. During 2011, grant funds in the amount of \$4,032 were received.

The Laurel County Sheriff's office was awarded a U.S. Forestry grant for the period of January 1, 2011 through December 31, 2011. During 2011, grant funds in the amount of \$16,539 were received.

The Laurel County Sheriff's office was awarded a U.S. Army Corps of Engineers grant for the period of January 1, 2011 through December 31, 2011. During 2011, grant funds in the amount of \$4,606 were received.

The Laurel County Sheriff's office was awarded an Organized Crime Drug Enforcement Task Forces (OCDETF) grant for the period of January 1, 2011 through December 31, 2011. During 2011, grant funds in the amount of \$174 were received.

The Laurel County Sheriff's office was awarded a U.S. Marshal grant for the period of January 1, 2011 through December 31, 2011. During 2011, grant funds in the amount of \$936 were received.

Note 11. Related Party Transaction

During calendar year 2011, three payments totaling \$1,267 were made to the Central Kentucky Locksmith, LLC which is considered to be a related party transaction. The Central Kentucky Locksmith LLC is owned and operated by a lieutenant of the sheriff's office.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable David Westerfield, Laurel County Judge/Executive
The Honorable John Root, Laurel County Sheriff
Members of the Laurel County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the Laurel County Sheriff for the year ended December 31, 2011, and have issued our report thereon dated August 1, 2010. The Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Laurel County Sheriff's office is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Laurel County Sheriff's financial statement for the year ended December 31, 2011, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Laurel County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Adam H. Edelen', with a stylized flourish at the end.

Adam H. Edelen
Auditor of Public Accounts

August 1, 2012

